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S E C R E T SHENYANG 000092

DEPARTMENT FOR EAP/CM, EAP/K, INR
MOSCOW PASS TO VLADIVOSTOK

E.O. 12958: DECL: TEN YEARS AFTER KOREAN UNIFICATION
TAGS: [CH](#) [ECON](#) [KN](#) [KS](#) [PGOV](#) [PREL](#) [RS](#)
SUBJECT: PRC-DPRK BORDER ECONOMY: SOME EXASPERATION ON THE
CHINESE SIDE, ACTIVITY ON THE KOREAN SIDE

REF: SHENYANG 76

Classified By: Consul General Stephen B. Wickman. Reasons 1.4(b/d).

[1](#)1. (C) SUMMARY: Chinese businessmen and government officials may be experiencing "North Korea fatigue" and, against the backdrop of the DPRK's April 5 missile launch, may in the future become less enthusiastic about undertaking investment opportunities in the DPRK. Trade at Dandong, which accounts for the bulk of the DPRK's trade with the outside world, appears to be ongoing but largely one-way. Along other parts of the border, economic activity appeared to be robust in mid-May. END SUMMARY.

[1](#)2. (U) Congenoff and assistant visited Dandong May 11-12 and the Yanbian Korean Autonomous Prefecture May 13-17 to record developments along the North Korean border. Border sites observed included Dandong by the Yalu River, and Nanping/Musan, Songhak-ri, Yuseon, Sanhe/Hoeryong, Kaishantun/Sambong, and Tumen/Namyang along the Tumen River (see paras 6-14 for details.)

SOME EXASPERATION: DPRK INVESTMENT NO LONGER AS ATTRACTIVE

[1](#)3. (C) Wu Jianhua (protect) a government specialist on North Korea and PRC-DPRK border issues at the Liaoning Academy of Social Sciences (LASS) reported that he recently received kudos from Liaoning Governor Chen Zhenggao for presenting a comprehensive report detailing the risks and rewards of DPRK investment and trade at the current juncture. Wu said that most of the government officials he knew fell squarely into two camps, one side believing that the historical alliance and strategic value of the DPRK justified further support, the other feeling the DPRK's increasingly difficult and uncontrollable behavior was fast becoming liability to the Chinese government. Wu cited the missile launch as a trust-breaker and embarrassment to the Chinese government, but he also said that the tangible reality of diminishing returns on DPRK trade and investment played an even larger factor in this regard. Wu also pointed to the rampant smuggling of goods across the border as an impediment to healthy, normalized trade (NOTE: Chinese leaders in Dongbei have historically entertained the notion of investing in North Korea; earlier this month, the Jilin vice governor returned from a four-day junket in Pyongyang.)

[1](#)4. (S) A similar sense of frustration was expressed recently by Feng Yi (protect), whose nominal title is the Dandong-based representative of the Shanghai Automotive Industries Corporation Import/Export Division. In reality, Feng says he is in charge of the Chinese government's aid program to North Korea, traveling throughout the DPRK regularly and coordinating all cross-border shipments using the Dandong Land Port (NOTE: Feng has also been a Mission China contact for facilitating the movement of USG-related items in and out of North Korea.) Feng recently shared with congenoffs that the Chinese government had agreed to ship

180,000 tons of grain to North Korea in exchange for North Korea's delaying or cancelling its April 5 missile launch. On April 5, Feng said he was in North Korea distributing the last grain shipment even as the missile launched.

15. (C) Sino-Korean and lifelong Dandong resident An Shengyi (protect) has extensive experience dealing with South and North Koreans as a businessman, trader, and as the Dandong reporter for the Liaoning Chaoxian Wenbao. Up until recently, An reported, many of his friends and acquaintances were tempted by DPRK business opportunities and followed the blow-by-blow accounts of when the "DPRK would open Sinuiju." After numerous frustrations and failures over the last decade, however, An said most people were fed up, summing up their attitude thusly: "the DPRK can come along for the ride, or they can continue to just lose the way they do; at this point, it's their choice." An said that the only commercially-viable DPRK resource now is coal because iron ore and many other sectors in North Korea were a losing proposition for Chinese businessmen.

BORDER SNAPSHOTS: MACHINERY ACTIVE BETWEEN TUMEN AND MUSAN

16. (C) Mid-May trips to Dandong and the stretch of the Tumen River between Musan and Tumen showed an increase in the amount of vehicular traffic and machinery on the North Korean side over the previous trips in mid-April. Dandong trade was all one-way, however, from China to North Korea. In Yanbian, congenoff visited sites on a weekend and was unable to observe any cross-border activity at the land ports. He did, however, reconfirm previous findings of an increased Chinese security posture along the border directed at third-country nationals (Ref A.)

17. (C) DANDONG: On the afternoon of May 11, only about 30 vehicles traveled from the DPRK to China. Almost all were completely empty. One or two vehicles were carrying some sort of load, but the rest, including five flatbed trucks were seen speeding back across the bridge. One crane returned to China and a lone North Korean locomotive returned to North Korea. At about 1600, a closed-cab military truck was escorted into North Korea by two black sedans bearing military plates which were escorted by three white Customs Service vans. The Customs vans returned minutes later, but the sedans and truck did not. Upstream of Dandong, congenoff observed several hundred Chinese military personnel conducting training exercises with pontoon bridges and other amphibious craft along the Yalu River. The taxi driver said that the military regularly engaged in this contingency training. At the narrowest point of the border between China and North Korea, for a 20 RMB admission fare, a private landowner escorted congenoff to the edge of the river and said that for an additional 50 RMB she could call out a North Korean guard for a cigarette, emphasizing only that photography was forbidden. She added that people used to take pictures freely but that now it was too "sensitive" (congenoff demurred.)

18. (C) DANDONG (CONTINUED): On the morning of May 12, the Dandong Land Port's staging lot was about half-full with overloaded trucks, over five new minibuses and five pickup trucks having no license plates, along with a few cranes and other machinery. There were at least 50 DPRK citizens waiting around the customs house, along with another roughly 50 Chinese citizens, almost all of whom sounded like Sino-Koreans or Korean Chinese. In the parking lot, there was a touring bus carrying North Korean passengers with a sign showing service from Yingkou to Dandong. Congenoff overheard one group of North Korean men talking disgustedly about the arrest of "stupid/incompetent" Pomminnyun activists in South Korea. No grain or foodstuffs were observed in the cargo, but the bags and crates were full of consumer products and clothing. Individual Chinese citizens were carrying lots of fruit and other such foodstuffs, but one could not tell if there was any grain. By 1000, over 50 vehicles had crossed over into the DPRK, all of which were completely full, if not overloaded. At 1030, the regularly scheduled train from Beijing to Pyongyang crossed over to the DPRK with one locomotive pulling a boxcar and two passenger

cars.

¶9. (C) NANPING/MUSAN: Upon entry to the border region from Helong on the morning of May 16, there was a People's Armed Police (PAP) checkpoint that only functioned to stop vehicles incoming from the border region. There was no traffic at Nanping, the closest land port to the North Korean iron mining center, Musan. There was a small excavator on the North Korean side moving dirt underneath the bridge. In a riverside village upstream of Nanping, there was a tractor pulling a cart; over 10 sheep and three cows grazing in the fields. Downstream of Nanping, there were three unattended cows along the riverbank. In Musan, there were many signs of activity, with tens of people walking along different streets, washing clothes in the river, and working alongside the riverbank.

¶10. (C) SONGHAK-RI: This area had a functioning lumberyard with a fully engaged work crew and a large crane lifting and moving logs. A dog and a cow were off to the side of the lumber yard. Downstream of Songhak-ri, there was a group of over 20 people wearing white hats, farming an isolated plot halfway up a mountainside, distant from the nearest village.

¶11. (C) YUSON: This urbanized area featured another active lumberyard with an operational crane and a team of workers. Along the riverbank, there were three dump trucks and a large excavator working together to move dirt. There were three groups of 3-5 people engaged in agricultural work in the fields and a considerable amount of foot traffic in this large district just west of Hoeryong.

¶12. (C) SANHE/HOERYONG: Late in the afternoon of May 16, a North Korean locomotive carrying two cars headed downstream in the direction of Tumen with 5-7 soldiers hanging off the back. Upon departing the Sanhe border region for Yanji, Congenoff encountered a PAP security checkpoint with four armed soldiers carrying automatic rifles. They asked for identification, opened the trunk, and searched through bags in the vehicle.

¶13. (C) KAISHANTUN/SAMBONG: On May 17, there were over 20 bicycle riders moving along the main road on the Korean side on a rainy and windy day. At one point, a motorcycle sped by the bicycles. There was a group of 5-7 border guards and people in white hats along the riverbank. Further downstream, there was the occasional cow or dog around each village.

¶14. (C) TUMEN/NAMYANG: There was no movement on the bridge on Sunday, May 17, but there were 4 dump trucks traveling along the upland road north of Namyang on the Korean side. Upstream of Tumen, there was a group of 5 people in white hats working on the railroad in a downpour.

WICKMAN